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**TREASURER FONG ANNOUNCES SALE OF \$160 MILLION IN DWR  
BONDS**

***Five Syndicates Vie in Competitive Sale***

SACRAMENTO--State Treasurer Matt Fong today sold \$160 million in Department of Water Resources (DWR) revenue bonds in a competitive bid sale that featured five syndicates competing for the deal.

The DWR bonds, issued to provide financing for the Central Valley Water Project and to retire previously issued notes, were awarded to J.P. Morgan Securities Inc., which submitted a bid with the lowest true interest cost (TIC) of 6.0264 percent. The proceeds will be used to retire \$140 million in Water Revenue Commercial Paper Notes, in addition to construction and improvements to the 647-mile aqueduct system.

Other firms vying for the deal included Smith Barney, Merrill Lynch & Co., Morgan Stanley & Co., Inc., and First Albany.

"For nearly 40 years, the Central Valley Water Project has helped provide water for domestic, industrial and agricultural uses as well as for recreation and wildlife enhancements throughout the state," said Fong. "Today's competitive sale shows California's strength among Wall Street firms, and will help lower debt service costs to taxpayers."

The Series P bonds will be sold in \$5,000 denominations, with maturities ranging from 1997 to 2029. Bonds maturing on or after December 1, 2006, are subject to optional redemption prior to maturity.

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